

## CMBI Credit Commentary

### Fixed Income Daily Market Update 固定收益部市场日报

- **NWDEVL:** *Our thoughts on the latest developments. NWDEVLs were unchanged to 0.9pt lower this morning. See below.*
- **CCAMCL:** *Profit warning with the expectation of profit to drop 40-50% in FY24. CCAMCLs were unchanged to 3bps wider this morning. In Chinese AMC space, we like CFAMCIs most. See below.*
- **VNKRLE:** *Vanke's Chairman, CEO resigned and replaced by Xin Jie, the Chairman of Shenzhen Metro Group. Vanke expects RMB45bn net loss in FY24. Shenzhen SASAC and Shenzhen Municipal Bureau of Housing and Urban-Rural Development signaled supports towards Vanke. VNKRLEs rebounded 10.2-11.1pts yesterday and moved -0.3 to +0.2pt this morning.*

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#### ❖ Trading desk comments 交易台市场观点

Light flows yesterday before long holiday. VNKRLEs rebounded 10.2-11.1pts post the change of board chairman and CEO despite expected net loss of cRMB45bn in FY24. The market expects Vanke to get more supports from Shenzhen Metro Group. Other developers were mixed, LNGFORs/FTLNHDs were unchanged to 2pts higher. NWDEVLs/ROADKGs moved -1.6 to +1pts. BNKEA/NANYAN/DAHSIN T2s were unchanged to 3bps tighter. In Chinese AMC space, CCAMCL/ORIEAS were 1 to 5bps tighter. China Cinda announced profit warning of FY24, see comment below. CFAMCI/GRWALL were unchanged. EU/HK AT1s were unchanged to 0.3pt lower. In SEA and India, Adani complex were unchanged to 0.1pt lower. INDYIJs/MEDCIJs were unchanged. LGFV space was quiet. Recent issued HNRail'28/ZOUCAO'27 were unchanged. CPDEVs/ZHHFGRs decreased 0.1pt.

## ❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
VNKRLE 3.975 11/09/27	65.9	11.1	NWDEVL 6 ¼ Perp	23.2	-1.6
VNKRLE 3.15 05/12/25	92.5	11.0	NWDEVL 6.15 Perp	39.5	-0.9
VNKRLE 3 ½ 11/12/29	62.4	10.2	ROADKG 5 ⅛ 01/26/30	35.9	-0.6
LNGFOR 3.95 09/16/29	74.1	2.0	ROADKG 5.2 07/12/29	37.9	-0.6
LNGFOR 4 ½ 01/16/28	80.7	1.7	ROADKG 5.9 09/05/28	42.4	-0.6

## ❖ Marco News Recap 宏观新闻回顾

**Macro** – S&P (-1.46%), Dow (+0.65%) and Nasdaq (-3.07%) were mixed on Monday. A low-cost Chinese AI model, DeepSeek, prompted a steep selloff in US chipmakers. UST yield retreated on Monday, 2/5/10/30 yield at 4.17%/4.32%/4.53%/4.76%.

## ❖ Desk Analyst Comments 分析员市场观点

➤ **NWDEVL: Our thoughts on the latest developments**

We were on the road over the last 1.5 weeks and had numerous discussions with clients on NWD. While there remains limited clarity as to the latest developments, we summarize our thoughts based on news/information in public domain below and try to connect dots as much as we can.

**What are happening? Refinancing or restructuring?**

There are numerous reports and rumours since late 2024 on debt restructuring. As we have been discussing, NWD, as every other companies with maturing debts, should be considering refinancing options and be receiving refinancing proposals from time to time. Indeed, the company has once again indicated that it would work on early refinancing of maturing loans in 2025 and 2026. At the moment, we believe that NWD's focuses are on refinancing loans instead of a holistic restructuring including bonds (next maturity in Jan'27) and the perps. With hindsight, the consent solicitation completed late last year should be a precursor for the discussions of early loan refinancing.

**How alarming are the covenant changes?**

We understand that the calculation of net gearing ratio in NWD's loan covenants excludes the perps and MI, i.e. perps are taken out from the numerator and denominator and while MI is excluded from equity. We estimate that its adj. net gearing ratio to be 73.9% on that basis, compared with 59.1% as of Jun'24. The covenant changes secured in Dec'24 should be more of pre-emptive moves in anticipation of RMB depreciation and delay in NCD instead of a drastic asset write-down or a sharp deterioration in financial profile resulting from asset revaluation over the past months.

**What banks want and what they could ask for in rolling over loans?**

We believe that what banks want is to remain the first in the sequence of repayment. With so many rumours and negative headlines, we would be not be surprised to see banks are more cautious and more demanding in refinancing. We should also not be surprised on any discussions on credit enhancement, banks' reluctant for NWD to call the perps, buy back bonds, as well as discussions on the refinancing options for the US bonds. Additionally, given so many banks (50+) involved, we can envisage the discussions on rolling over the bank loans and providing credit enhancement will take weeks' time and likely be more on a syndicated basis, instead of on a bilateral basis with legal advisor(s) appointed for the discussions.

While we do not have any the details of negotiations between NWD and banks, we believe that there will be 2 directions for banks to ensure banks will get paid first if they agree to rollover loans: either by asking bondholders to extend maturities to restore loan creditors' priority in terms of timeline of repayment; or getting credit enhancement such that banks are structurally more senior than the holders of USD bonds and perps. The latest media reports appear to point to the direction of credit enhancement.

#### .... and how USD bond/perp holders will be affected?

If the reports on credit enhancement are true, USD bond/perps will be structurally subordinated to bank loans. That said, the near-term refinancing pressure on NWD will be notably relieved. We also believe that banks, with the credit enhancement, will be more comfortable with their structural seniority and less concerned on whether maturities of USD bonds have to be extended, the potential calls and distributions of perps will have any adverse impact on the recovery of bank loans.

Regarding credit enhancement, an increment of USD15bn (cHKD117bn) appears to be large in view of ST unsecured bank loans of no more than HKD42bn. Anyway, for the sake of discussions, the book value of pledged assets and secured loans totaled HKD88.5bn and HKD38.1bn as of Jun'24, respectively. This implied a LTV of c43% for its pledged assets. The % of total tangible assets being pledged is 19.9%. Assuming incremental credit enhancement of USD15bn is made, the pledged assets as a % of total intangible assets will increase to 46.3%. Assuming all the credit enhancement will be from IPs, properties under developments, properties held for sales, PPEs and unrestricted cash, the unpledged IPs, properties under developments, properties held for sales, PPEs and unrestricted cash after the credit enhancement will be cHKD116bn (vs total intangible assets of cHKD444bn), equivalent to 2.2x of o/s USD bonds and perps totaled cUSD6.8bn (cHKD53bn). We believe that NWD will still have adequate asset coverage for USD bonds/perps.

#### Can perp distributions be deferred and will they be deferred?

Security	ISIN	Coupon frequency	Last coupon payment date	3 month before next scheduled coupon payment date	Next coupon date
NWDEVL 6.25 PERP	XS1960476387	Semi-Annually	7/9/2024	6/12/2024	7/3/2025
NWDEVL 4.8 PERP	XS2268392599	Semi-Annually	9/12/2024	8/3/2025	9/6/2025
NWDEVL 4.125 PERP	XS2348062899	Semi-Annually	10/12/2024	9/3/2025	10/6/2025
NWDEVL 6.15 PERP	XS2435611327	Semi-Annually	16/12/2024	15/3/2025	16/6/2025
NWDEVL 5.25 PERP	XS2132986741	Semi-Annually	22/12/2024	21/3/2025	22/6/2025

Source: Bloomberg.

No at least for the distribution of NWDEVL 6.25 PERP due 7 Mar'25. The last distribution on perps NWD paid was USD26.2mn for NWDEVL 5.25 PERP on 22 Dec'24. Taking cues from the terms of perps, NWD cannot defer distributions on perps if it has paid or declared dividend on equity or distribution of other "parity securities" during the three months ending on the day before that scheduled distribution payment date. The next perp distribution after 7 Mar'25 will be that of NWDEVL 4.8 PERP on 9 Jun'25. The tricky issue is the day before 9 Jun'25, i.e. 8 Jun'25 is Sunday, we are not sure if 3 months ending the day before the scheduled payment date should be 10 Mar'25 or 7 Mar'25. If 10 Mar'25, there could be 1 business day gap NWD can choose to defer the distribution of NWDEVL 4.8 PERP. If 7 Mar'25, NWD has to pay not only the distribution of NWDEVL 4.8 PERP, but also those of NWDEVL 4.125 PERP, NWDEVL 6.15 PERP and NWDEVL 5.25 PERP in Jun'25, as well as NWDEVL 6.25 PERP on 7 Sep'25. The next window for NWD to consider distribution deferral will be in early Dec'25.

Another tricky issue is all NWD's o/s perps are senior unsecured, our interpretation is that the senior unsecured perps and senior unsecured bonds are parity securities. We are also not sure if the coupon payment on senior unsecured bonds could be distribution pushers for the senior unsecured perps.

Indeed, NWD faced the options to defer the distributions in early Dec'24, if senior unsecured perps and senior unsecured bonds are not considered parity securities, when the company was in the mid of consent solicitation and might be planning for the early refinancing of maturing bank loans. Eventually, NWD paid the distributions totaled USD77.2mn for its 4 out of 5 o/s perps in Dec'24. We believe that NWD will continue to pay perp distribution in the near-term.

### Bonds vs perps?

Security	ISIN	Maturity/Next call date	Amt Out (USD mn)	Ask Price	Ask YTM (%)	Ask YTC (%)	Cash yield (%)
NWDEVL 6.25 PERP	XS1960476387	3/7/2025	1,300	20.0	31.2	3,242.6	31.3
NWDEVL 6.15 PERP	XS2435611327	3/4/2026	345	34.0	29.7	1,415.1	18.1
NWDEVL 4.8 PERP	XS2268392599	2/2/2027	700	30.5	15.7	2,991.2	15.7
NWDEVL 5.25 PERP	XS2132986741	3/10/2027	999	23.1	40.8	193.2	22.7
NWDEVL 4.125 PERP	XS2348062899	3/10/2028	1,140	21.1	30.6	68.0	19.5
NWDEVL 5.875 06/16/27	XS2488074662	6/4/2028	172	46.6	44.3	48.9	12.6
NWDEVL 8 625 02/08/28	XS2873948702	2/8/2028	400	45.6	41.9	42.8	18.9
NWDEVL 4.75 01/23/27	XS1549621586	1/11/2028	458	46.9	49.8	-	10.1
NWDEVL 4.125 07/18/29	XS2028401086	7/6/2030	718	41.0	28.1	-	10.1
NWDEVL 4.5 05/19/30	XS2175969125	5/7/2031	443	40.5	25.6	-	11.1
NWDEVL 3.75 01/14/31	XS2282055081	1/2/2032	76	40.5	22.3	-	9.3

Source: Bloomberg.

Admittedly, the chance of perps, including high step-up perps, will be called on the first call dates is subject to more uncertainty given the recent negative headlines and negotiations with banks. That said, we believe that perps offer more attractive risk and return profiles than the straight bonds at current valuations given our view of continued distribution payment.

### ➤ CCAMCL: Profit warning with the expectation of profit drop 40-50% in FY24

China Cinda issued a profit warning. It expects its net profit attributable to equity holders of the company in FY24 to drop by 40-50% from RMB5.8bn in FY23. The profit drop would be attributable to: i) increase in asset impairment on historical riskier assets; and ii) decrease in income from real estate investment and management businesses as well as from certain equity assets.

The capital buffer of Cinda should have declined as at Dec'24 in view of weakening profitability and asset quality in FY24. That said, we expect the capital adequacy of Cinda to remain adequate in view of the capital buffer as at Jun'24. As at Jun'24, the CET1/Tier1/CAR of Cinda was 11.7%/16.3%/17.5%, higher than the regulatory minimum requirement of 9%/10%/12.5%.

The profit warning of Cinda is in contrast to CFAMCI's positive profit alert for FY24 results. CFAMCI's improved profitability in FY24 was supported by higher recurring earnings and cash flow. In absolute terms, Cinda expects the net profit attributable to equity holders of the company in FY24 at RMB2.9-3.5bn, compared with CFAMCI's RMB9-10bn. In our view, the potential transfer of ownership to CIC could improve the financials, capitalization, as well as operating performance and management of Cinda on a more commercial basis, as in the case of CFAMCI's improvements after CITIC's involvement.

Among CCAMCLs, we like CCAMCL 4.4 Perp as we believe that the certainty of call on the first call date is high. In the Chinese AMC space, CFAMCIs continue to be our top picks in the sector for their better risk-return

profiles. Within the CFAMCI curve, we continue to prefer CFAMCI 4.25 Perp a good short-tenor carry play in view of the high certainty of call on the first call date. We also like CFAMCI 3.875 11/13/29, CFAMCI 3.375 02/24/30 and CFAMCI 3.625 09/30/30.

**Table 1: Our Chinese AMCs picks**

Security name	ISIN	Amt o/s (USDmn)	First call date	Coupon reset	Step-up (bps)	Px	YTC/YTM (%)
CCAMCL 4.4 Perp	XS2397254579	1,700	3 Nov'26	5yr UST+3.232%	-	98.3	5.3
CFAMCI 4.25 Perp	XS2235973943	250	30 Sep'25	5yr UST+6.979%	300	99.2	5.5
CFAMCI 3.875 11/13/29	XS2076078786	200	-	-	-	92.7	5.6
CFAMCI 3.375 02/24/30	XS2122990810	271	-	-	-	89.8	5.7
CFAMCI 3.625 09/30/30	XS2235973869	139	-	-	-	89.8	5.7

Source: Bloomberg.

➤ **Offshore Asia New Issues (Priced)**

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
No Offshore Asia New Issues Priced Today					

➤ **Offshore Asia New Issues (Pipeline)**

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
No Offshore Asia New Issues Pipeline Today					

➤ **News and market color**

- Regarding onshore primary issuances, there were 1 credit bonds issued yesterday with an amount of RMB1bn. As for month-to-date, 1,870 credit bonds were issued with a total amount of RMB1,455bn raised, representing a 8.5% yoy increase
- **[CHINLP]** CLP Power completed redemption of CHINLP 3.55 Perp of USD500mn
- **[JD]** JD.com intends to acquire the shares of US-listed delivery platform Dada Nexus and take it private
- **[JIAYUA]** Jiayuan International unable to repay JIAYUA 7 01/27/25 (CB) of USD100mn
- **[VNKRL]** Vanke's Chairman, CEO resigned and replaced by Xin Jie, the Chairman of Shenzhen Metro Group. Vanke expects RMB45bn net loss in FY24, compared to net profit of RMB12.2bn in FY23. Shenzhen SASAC said the government has sufficient funds to offer full support for Shenzhen Metro Group in promoting the Vanke's stability and development; the Shenzhen Municipal Bureau of Housing and Urban-Rural Development stated that it will coordinate with relevant parties to properly handle some of Vanke's idle land

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